

Message Text

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51

ACTION ARA-20

INFO OCT-01 ISO-00 EB-11 COME-00 AGR-20 STR-08 OMB-01

AID-20 CIEP-02 TRSE-00 EA-11 EUR-25 CIAE-00 DODE-00

INR-10 NSAE-00 PA-04 RSC-01 USIA-15 PRS-01 SPC-03 L-03

IO-14 INT-08 SCI-06 FEA-02 SS-20 NSC-07 DRC-01 /214 W

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R 192200Z MAR 74

FM AMCONSUL GUAYAQUIL

TO SECSTATE WASHDC 3129

INFO AMEMBASSY QUITO

AMEMBASSY BOGOTA

AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY PANAMA

AMEMBASSY SAN JOSE

AMEMBASSY TEGUCIGALPA

C O N F I D E N T I A L GUAYAQUIL 0270

EO 11652: GDS

TAGS: ETRD

SUBJ: PANAMA BANANA CONFERENCE: AN ECUADOREAN VIEW

1. RODRIGO LANIADO, LARGE BANANA EXPORTER FROM EL ORO PROVINCE AND MEMBER OF ECUADOREAN DELEGATION TO PANAMA CONFERENCE, DISCUSSED CONFERENCE WITH CONGEN ON MARCH 19. HE COMMENTED ON REASONS FOR GOE PARTICIPATION, RESULTS OF CONFERENCE, AND EFFECT OF PROPOSED AGREEMENT ON ECUADOREAN BANANA PRODUCTION.

2. LANIADO STATED THAT CENTRAL AMERICAN NATIONS HAD TO HAVE SOME AGREEMENT IN ORDER TO INCREASE REVENUES TO COMPENSATE FOR HIGHER COSTS OF PETROLEUM. MOREOVER, THEY REALIZED THAT WITHOUT GOE PARTICIPATION NO AGREEMENT WOULD SUCCEED BECAUSE ECUADOREAN PRODUCERS, FACED WITH LOSS OF JAPANESE MARKET TO TAIWAN AND PHILIPPINES, WOULD UNDERSSELL CENTRAL AMERICA IN WEST EUROPEAN AND NORTH AMERICAN MARKETS. EXCEPTIONALLY STRONG PRESSURE WAS
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PLACED ON GOE TO TAKE PART AND, ALTHOUGH SOME LOCAL PRESS REPORTED

THAT ECUADOR HAD FALLEN INTO A TRAP, LANIADO BELIEVES FINAL AGREEMENT DEMONSTRATES THAT DELEGATION RESPONSIBLY UPHELD ECUADOR'S POSITION.

3. ECUADOR'S MOTIVATION FOR PARTICIPATION ENTIRELY DIFFERENT FROM THAT OF CENTRAL AMERICAN NATIONS. LATTER GEARED TO ECONOMIC FACTORS TO INCREASE GOVERNMENT REVENUE. ECUADOR, ENJOYING PETROLEUM BONANZA AND WITH POLICY OF GRADUALLY ELIMINATING BANANA EXPORT TAXES, WAS MOTIVATED BY POLITICAL CONSIDERATIONS. FOR REASONS OF HEMISPHERIC SOLIDARITY, TRADITIONAL FRIENDSHIP WITH CENTRAL AMERICAN COUNTRIES, ETC., ECUADOR COULD NOT ABSTAIN FROM CONFERENCE. BY SO DOING, WOULD HAVE BEEN PORTRAYED IN INTERNATIONAL ARENA AS GRASPING EXPLOITER TAKING ADVANTAGE OF NEIGHBORS' PLIGHT. MOREOVER, ECUADOR DEPENDS ON PANAMA FOR TRANSSHIPMENT OF BANANAS AND THERE NO TELLING WHAT PROBLEMS GENERAL TORRIJOS, REGARDED BY LANIADO AS SLIGHTLY UNBALANCED, MIGHT ATTEMPT TO CREATE IF ECUADOR DID NOT ATTEND PANAMA MEETING.

4. IN OPINION OF LANIADO RESULTS OF CONFERENCE SHOW ABILITY OF GOE DELEGATION TO WITHSTAND HEAVY PRESSURES FROM OTHER COUNTRIES FOR HIGHER EXPORT TAXES AND FOR LESS DIFFERENTIATION BETWEEN CENTRAL AMERICAN EXPORT TAX AND THAT OF ECUADOR. FORMER WOULD HAVE GREATLY REDUCED WORLD DEMAND AND LATTER WOULD HAVE HARMED ECUADOREAN PRODUCERS WHO NEED SOME ASSISTANCE BECAUSE OF COUNTRY'S DISADVANTAGEOUS GEOGRAPHIC POSITION IN RELATION TO WORLD MARKETS.

5. FINAL OUTCOME OF AGREEMENT, IF APPROVED BY NATIONAL GOVERNMENTS, WILL DEPEND ON REACTIONS OF HOUSEWIVES IN INDUSTRIALIZED COUNTRIES TO INCREASE PRICES. LANIADO BELIEVES THAT INCREASE FROM NEW EXPORT TAXES ALONE NOT SIGNIFICANT ENOUGH TO AFFECT DEMAND. IF AGREEMENT SUCCESSFUL, SHOULD PROVE BOON TO ECUADOREAN PRODUCERS. WHILE TAX REVENUE IN CENTRAL AMERICA DESTINED FOR GOVERNMENT COFFERS, PLANS ARE NOW UNDERWAY IN ECUADOR TO CREATE MECHANISM FOR RETURN OF TAX FUNDS TO BANANA PRODUCERS. THIS FINANCIAL ASSISTANCE GREATLY NEEDED BY GROWERS FACED WITH PROBLEM OF INCREASING QUALITY AND PRODUCTIVITY. THUS ALL PRODUCERS SHOULD BENEFIT, INCLUDING LUIS NOBOA WHO WAS NOT CONSULTED REGARDING PANAMA AGREEMENT BECAUSE HE STILL ON THE OUTS WITH PRESENT GOVERNMENT FOR POLITICAL REASONS.

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6. COMMENT. THERE SEEMS TO BE GENERAL AGREEMENT ON THE COAST THAT FOR SHORT TERM ECONOMIC REASONS ECUADOR WOULD HAVE DONE WELL TO SHUN PANAMA CONFERENCE BUT OVERRIDING POLITICAL CONSIDERATIONS MADE ATTENDANCE INEVITABLE. SEVERE CRITICISM IN LOCAL PRESS FOLLOWED ANNOUNCEMENT OF GOE'S PARTICIPATION BUT CONFERENCE RESULTS INDICATE THAT NATIONAL INTERESTS WERE RESPONSIBLY DEFENDED. ECUADOREAN BANANA INDUSTRY, SIIRED BY NATURAL DISASTERS IN CENTRAL AMERICA AND NURTURED BY JAPANESE MARKET THAT IS FAST DISAPPEARING,

MAY RECEIVE A NEEDED SHOT IN THE ARM IF PANAMA AGREEMENTS CAN BE
SUCCESSFULLY IMPLEMENTED.
DEWITT

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